

FISCAL NOTE

SB 186 - HB 591

February 28, 2005

SUMMARY OF BILL: Enacts the Tennessee Broadband Technology Incentive Act of 2005. Creates franchise and excise tax credit of 10 percent of the cost of equipment used in the deployment of broadband technologies in Tier Two areas and 15 percent of the cost of such equipment in Tier Three areas between June 30, 2005 and July 1, 2015. Authorizes an aggregate credit in any one tax year in which the equipment is placed in service not greater than 50 percent of the taxpayer's sum total of tax liabilities before applied credits.

ESTIMATED FISCAL IMPACT:

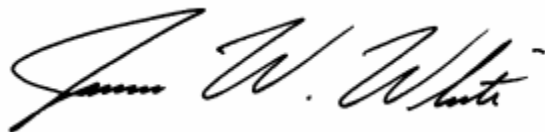
Increase State Expenditures – \$109,600 One-Time
Decrease State Revenues – Exceeds \$1,000,000

Assumptions:

- One-time increase in state expenditures for changes in software, systems and forms by the Department of Revenue.
- Technology transmission standard in the bill is lower than the federal standard which requires upstream and downstream in excess of 200kb per second in the last mile.
- 2002 F&E tax liability data indicates over \$20 million in revenue from telecommunications carriers including wireless carriers.
- Possible \$15,000,000 decrease in state revenue based on installed cost per phone for only DSL technology. Installed cost \$300,000,000 (\$375 per phone X 800,000 phone lines in Tier two and Tier three according to 2000 Federal Census Bureau data). \$300,000,000 divided by 50% tax credit over a 10 year period = \$15,000,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director